James Cash Penney
1875-1971

Fondly shall we remember him, O Lord,
for in him Thou didst so shape a personality [illegible]
So upright and honorable was his character,
so sweet his nature, so sturdy [illegible] his convictions, so exemplary his life [illegible]
that [illegible]
Here was a man [illegible]
We thank Thee, Heavenly Father, for the [illegible]
who from humble beginnings became an American [illegible]
whose name was made to shine with honor and integrity
known and respected everywhere by all people.

*Eulogy by Dr. [illegible]*

# J. C. Penney Company, Inc. 1970 Annual Report

| Financial Highlights | 1970 (52 weeks) | 1969 (53 weeks) |
|---|---|---|
| Sales | $4,150,885,821 | $3,828,549,615 |
| Per cent increase over prior year | 8.4 | 13.3 |
| Net income | 114,096,069 | 114,300,285 |
| Per cent increase (decrease) over prior year | (0.2) | 2.5 |
| Per cent of sales | 2.7 | 3 0 |
| Per cent of stockholders' equity | 16.8 | 18.7 |
| Net income per share—primary | 2.14 | 2.16 |
| —fully diluted | 2.08 | 2.10 |
| Dividends per share | 1.00 | 1 00 |
| Capital expenditures | 203,588,673 | 142,906,684 |

### On the Cover

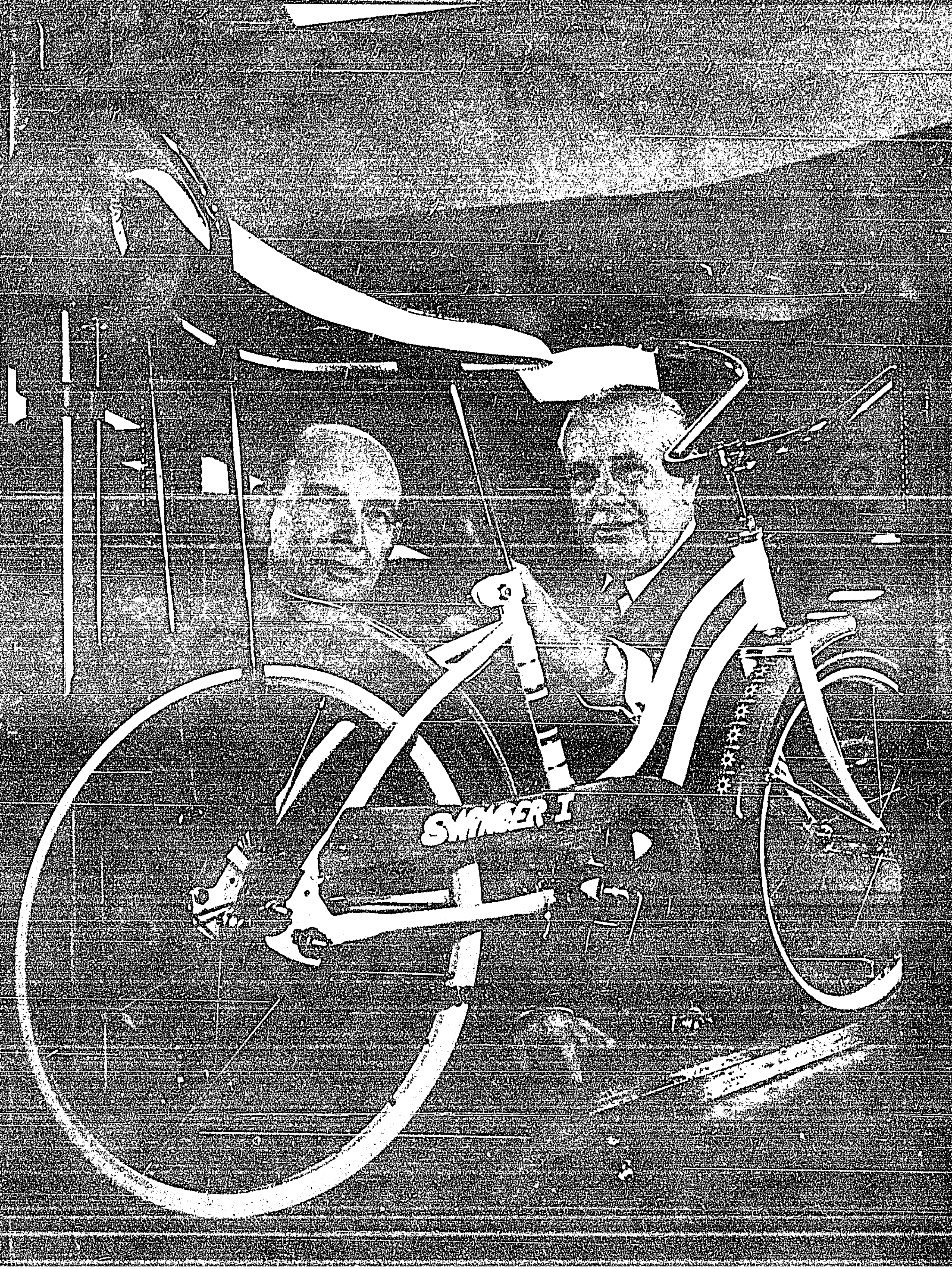
The new Penney store in the Fashion Valley Shopping Center in San Diego, California exemplifies the 1970 generation of full line stores.

### Table of Contents



### Annual Meeting

Our Annual Meeting of Stockholders will be held at 10 a.m. Tuesday, May 18, 1971 at the Essex House, New York City. You are cordially invited to attend. A proxy statement, including a request for proxies, will be mailed to stockholders on or about April 12, 1971. Your prompt attention to the proxy statement will be appreciated.


SWINGER II

# To Our Stockholders

In 1970 the Penney Company's sales passed the $4 billion milestone, exceeding $4.1 billion on an increase of 8.4 per cent

It took the Company almost 50 years to attain $1 billion in sales in 1951, another 13 years until the $2 billion mark was passed in 1964, four years to reach $3 billion in 1968, and only two years more to register $4 billion.

Practically all the 1970 sales gain of $322.4 million was attributable to full line Penney stores, those opened since 1963, and to sales increases in Catalog, The Treasury stores, Thrift Drug and our supermarkets operation. The older Penney stores had only a slight increase in comparative sales.

Our earnings for the 52 weeks of fiscal 1970 were $114.1 million, or $2.14 per share on a primary basis. This represented a decline of 0.2 per cent from fiscal 1969's record earnings of $114.3 million, or $2.16 per share on a primary basis. Fiscal 1969 had 53 weeks.

Figures for both years reflect the acquisitions in 1970 of Great American Reserve Corporation and Supermarkets Interstate, Inc. on a pooling of interests basis.

1970 was a difficult year. A general weakness in the economy, accompanied by high levels of unemployment in many areas, caused consumers to defer or forego major purchases and to buy cautiously during the year.

Our profit performance reflected economic conditions, particularly during the first half of the year. Continuing a trend which started during the latter part of 1969, operating costs in the first half of 1970 increased at a rate which was not matched by increased sales or gross margins. A particularly adverse factor was a 60 per cent increase in interest costs, which reduced net income for the period by 10 cents per share. Our Catalog loss during the first half also increased over the 1969 first half, primarily because of promotional and operational costs associated with development of the business of the Company's second distribution center in Atlanta.

During the second half of 1970, we were able to recapture all but a small part of the decline in earnings of the first half. The second half performance of Catalog marked a considerable improvement over the first half, and Catalog finished the year with a loss slightly smaller than that of 1969. In addition, the dramatic decline in interest rates during the second half was a favorable factor, and increased interest costs reduced earnings by only three cents per share for the period. The Company's programs to control expenses and inventories also were influential in the second half results. Shrinkage for the year was at a more normal level, substantially below the 1969 shrinkage rate.

More detailed information on our operations during the year is provided in the 1970 Review of Operations and Financial Information which begins at page 17.

Looking ahead, we have not yet seen clear, definite signals of an upturn in consumer spending, but we do see some factors which should make 1971 a better year than 1970. First, consumers saved at a very high rate in 1970 and so have money to spend. Moreover, housing starts and new family formations should have a positive influence on durable goods volume. Economists in general are predicting a gradual improvement in the economy. Based on our expectation of a slightly stronger retail environment as the year progresses, we hope to exceed in 1971 the 8.4 per cent sales gain registered in 1970. Improvement of profit margins and expense control will again be major objectives during the year.

Our retail facilities will continue to expand in 1971. We expect to open 27 new Penney stores, four of them with food supermarkets. Fourteen of the Penney stores are to serve new market areas for the Company, while 13 are enlarged relocations of existing units. We are establishing The Treasury in two new markets —Miami with two new stores and Memphis with three. We will add one more unit in Los Angeles, for a total of six new The Treasury stores in 1971. We also plan to open 25 new Thrift Drug stores. In Europe, the Company's first store in Italy is being opened, and some expansion is planned for the Belgian operation.

The increase in domestic store space will total approximately six million gross square feet in 1971, compared with slightly more than five million gross square feet added during 1970. In terms of increased net selling space, we are adding about 3.7 million square feet. Our capital expenditures for the year are expected to be about $200 million.

The average yearly increase in store space of five million gross square feet during 1969 through 1971 will, according to our plans, be maintained during the 1972-1974 period.

A major concern as we move into 1971 is the widespread activity in the courts and legislative bodies directed toward reducing the permissible rate of service charge on revolving credit accounts. We believe that to a large extent, this activity is predicated upon widespread misunderstanding as to the supposed profitability of retail credit. Accordingly, this

In Penney's Merchandise Testing Center, Chairman William M. Batten (left) and President Cecil L. Wright examine a test of the structural safety of bicycles.

year we have for the first time disclosed the cost of the Company's credit operations. This disclosure demonstrates that the Company does not make money on its credit operations and that the cost of credit exceeds service charge revenues.

Because of our concern with the inequities resulting from service charge rates which do not permit retail companies such as ours to recover the cost of providing credit, we are supporting the enactment of the Uniform Consumer Credit Code and other statutes authorizing reasonable rates of service charges which will cover such cost. If reasonable rates are not permitted by law, the effects will be generally higher prices for all customers, including cash customers, and reduced availability of retail credit. We believe that those customers who want the convenience of credit are willing to pay a fair price for it. Moreover, we believe that it is not equitable to ask our cash customers to subsidize the cost of credit for charge customers.

The Penney Company is also acutely aware of the problems which relate to the long range health and stability of our society, and we are actively seeking ways in which the Company may play a positive and productive role in their resolution. In deciding on courses of action, we believe that our most effective efforts will be those which fall within the Company's sphere of competence.

Currently, we are intensifying our programs to insure that opportunities for employment and promotion in the Company are equal for all individuals.

We have participated in the National Alliance of Businessmen JOBS Program since its inception. That program is aimed at employment of the hard-core unemployed. During 1970, we increased our participation from 46 to 114 cities, and some 755 Penney Company facilities are taking part. Since the program started in 1968, we have employed more than 1,000 people in the program. In New York City, we have loaned personnel to the National Alliance of Businessmen to assist in recruiting additional businesses to participate in its program.

Under a contract with the United States Department of Labor Manpower Administration, we are training disadvantaged individuals for clerical positions with the Company. Our experience with this program has encouraged us to extend the concept to a retail operation, and accordingly, we will be running such a training program in a retail store in early 1971. We are also, in cooperation with the New York Urban League, conducting a training program for disadvantaged persons in keypunching data processing cards.

The Penney Company has assisted in the establishment of a minority manufacturing business and is actively marketing its output through our retail facilities. In addition, we are continually working with minority entrepreneurs who wish to become suppliers of the Company.

For many years, we have produced a wide range of consumer education materials which are distributed to home economics teachers and others interested in them. We are actively participating in the development and testing of a consumer education program specifically addressed to the needs of low income consumers.

We are also examining all low income areas in which we have stores to determine how we can better serve the needs of these communities. A pilot program is already in effect in a selected community.

The foregoing is only a representative list of what we are doing. There are other programs in various stages of development and initiation. All require very careful analysis and thorough planning. Our aim is to undertake programs which will permit us to use most effectively the particular capabilities of the Company in contributing to solutions.

Our acquisitions during 1970 of Great American Reserve Corporation and Supermarkets Interstate, Inc. were in line with our fundamental objective of providing an ever widening variety of goods and services to individual consumers. The organization and management of Supermarkets will provide us with the attractive and efficient food departments which we need for The Treasury stores and for the Penney stores with food program. The principal operating subsidiary of Great American—Great American Reserve Insurance Company—is in the business of selling life and health insurance through agents. This makes it useful in broadening our life and health insurance business, which thus far we have been conducting entirely by mail to Penney charge customers

With these acquisitions, we now have all the major components of our long range plans made in the early Sixties. Specifically:

- We have a full line, profitable Penney store, broad in its appeal, now proven suitable for the regional shopping center in the large metropolitan market.
- We have The Treasury, another type of store for major metropolitan markets, designed for convenient informal shopping with emphasis on self service, permitting a lower cost operation. Its breadth of merchandise and service offerings, including food, enables it to operate as a free standing unit. The Treasury provides us with greater flexibility in site selection and the opportunity to increase our business in specific metropolitan areas.
- We have the Penney store with food, specifically designed for smaller and medium size markets. One of the stores in this experimental program is shown on pages 32 to 35 of this annual report.
- We have Catalog, with its emphasis on broad assortments and convenience, enabling us to increase our appeal in Penney stores and also to serve direct mail customers.
- We have specialized stores such as Thrift Drug, and we have the necessary expertise to develop other types of specialized stores if this should prove to be a desirable course of action.
- Our insurance companies provide us with a sound foundation in the fast growing and profitable field of consumer financial services.
- We have an international base, with operations in Belgium and Italy.

As consumer buying preferences and markets change, the Penney Company has the major components which can be put together in any desired configuration, to move quickly and aggressively with the important trends.

Our major task now and in the immediate years ahead is to refine the operation and build the profitability of these components.

In closing, we would like to express our deep sense of loss at the death of our Founder, James Cash Penney, on February 12, 1971. As we said to all Penney associates at that time, Mr. Penney was more than our Founder—he was also our friend, and we were fortunate to have him with us for so many years. Although he turned over active management of the Company to others in 1917, he continued to be deeply involved in Company and public affairs. He had become in all our minds a symbol of what was best about our Company. Now the friend is gone, but the symbol remains. To honor him, we shall continue to operate as we have in the past—in a spirit of honor, confidence, service and cooperation

William M. Batten
Chairman of the Board

Cecil L. Wright
President

The exterior of the new Penney store in San Diego, California shows how the architecture of individual stores helps express and enhance the unique flavor of communities they serve.


Penneys

# Opening a Full Line Penney Store

A fashion conscious young customer inspects a wide variety of purses in the women's accessories area of the new Youngstown store.

Since 1963, when Penney opened its first full line store, the Company has added more than 27 million gross square feet of store space and increased annual sales by more than $2 billion. This growth is the result of an expansion program designed to transform the Penney Company from a chain of soft goods stores into a Company providing an ever widening variety of goods and services primarily through full line department stores serving growing metropolitan markets and stores specifically designed for smaller markets. Since that program began, more than 240 Penney full line stores have opened. The history of one of them, in Youngstown, Ohio, is told here to illustrate the Company's expansion program.

Fourteen years ago the Board of Directors of the Penney Company, in response to its directive, received from management a report embodying a study of future markets and a projection of the Company's potential position in those markets. This report contained some of the most significant ideas to influence the growth and development of the Company since the Founder, James Cash Penney, spelled out his philosophy of honesty and integrity in retailing more than a half-century earlier.

The thrust of this report was that to achieve the desired rate of growth, the Company would have to expand and add new lines of merchandise and services. At the time the report was written—1957—the Company was a leading merchandiser of soft goods, deriving its strength principally from smaller and medium size markets, where it enjoyed the confidence of customers in the value and quality of its merchandise.

Why undertake any significant change in the Company's character? New trends that were beginning to emerge in the United States provided compelling reasons. The unusually prolific birth rate of the late 1940s would mean a sharp increase in young family formations in the 1960's and beyond. Already evident was a dramatic increase in middle income prosperity that would result in an unprecedented ability of American families to spend more of their money on things they desired rather than things they absolutely needed. The consequence would be an increase in living standards with a greater proportion of discretionary income being spent on a greater variety of goods, and a greater emphasis on fashion and convenience. There would also be an upgrading of purchases to higher price merchandise. The expanding availability and use of credit would magnify that trend.

The conclusion was reached that a new type of Penney store must be developed—a "full line" department store that stressed fashion, that offered such hard lines of merchandise as furniture, appliances, paint and hardware, sporting goods and automobile accessories and services, and that appealed to the entire family. The new store generally would be an urban or suburban store, while a new catalog operation would be incorporated in the Company's merchandising plans to offer broader assortments of merchandise and provide more convenience for customers. Credit would also be offered to eligible customers.

The 1957 report and subsequent studies defined the kind of company Penney had to become in order to meet the challenge of the future. Penney directors and key associates agreed with that view. Now, the specific direction the Company would take had to be determined. How large should new full line department stores be? Where should they be located? Should they be "free standing" or part of shopping centers? How should they be designed, financed and staffed? And how should they be brought into the new and more extensive buying and distribution systems that would have to be established?

The story of the new Penney store located in the Southern Park Shopping Center in Youngstown, Ohio, illustrates the way these questions have been answered. The Youngstown store opened on April 2, 1970 with Chairman William M. Batten, the principal author of the 1957 report, present at opening day ceremonies The date of the opening actually had been fixed 14 months earlier. With the assistance of a computerized PERT (Program Evaluation and Review Technique) program Penney had developed, the schedule was met.

But the story actually starts much earlier. As part of its growth strategy, Penney had set about in a systematic way to study every metropolitan retail market in the United States. The effort was a major one, requiring the talents of economists, statisticians, real estate professionals and other researchers. Using many sources of information and statistics and specially-commissioned Company studies, Penney was able to determine for each market the trends in population, employment, personal income, per capita spending and retail sales, potential traffic patterns and other key data. Researchers analyzed the competitive position of existing Penney stores in each market. They examined the advantages and disadvantages of existing stores, and

identified the most favorable areas for new store locations. On the basis of the studies, they were able to project the sales of a Penney full line store at each potential location to a point in time five years after opening.

These studies enabled Penney planners to arrive at a number of significant decisions in carrying out the expansion program. They learned that Penney could derive the maximum in future sales and earnings by concentrating its expansion program, at least at the outset, in markets in which the Company had existing soft line stores. This was true because Penney already had established a reputation and a large group of loyal customers in such areas. By expanding in its strongest markets first, the Company could also benefit from the economies of scale in staffing, advertising and promotion, and distribution.

These studies further enabled the Company to complete a priority list of markets and focus its first efforts on the most promising ones. It became possible to determine quickly whether to pursue proposals that shopping center developers, aware of Penney's new direction in merchandising, brought to the Company's attention.

Not long after the strategy study for Youngstown was completed in 1965, a developer made a proposal for a new shopping center there. Penney executives already had been considering relocating the Company's old Boardman Plaza soft line store in Youngstown. Although the store had achieved a high level of productivity, it was their judgment that productivity could be increased in a new location which would accommodate a much larger store.

When the developer presented the proposal for the new Southern Park center to Penney, the Company was able to respond quickly and favorably on the basis of the previously completed strategy study, which had identified the Southern Park area as a prime potential location. Over a five year period, it was determined, yearly sales of a full line store in that area could be expected to more than double the soft goods sales of the existing Penney store, in addition to the sales of new hard lines of merchandise. The Southern Park site fit into the broader strategy of increasing Penney's capacity in the Youngstown market.

Even at this early stage, a full five years before the new store actually opened, sales projections permitted Penney to decide how large a store should be built at the site. A realistic decision was made possible by a series of earlier studies which developed formal guidelines relating store size to projected sales of lines of merchandise.

With this information in hand, negotiations with the shopping center developer began in 1966. They involved Penney executives at the regional and district level, real estate negotiators and Company attorneys.

The overall design of the shopping center and the center's relationship with the surrounding neighborhood required close attention on the part of Penney's real estate and store planning departments, stores department, the district manager and real estate field representatives. An important goal was to locate the new Penney store so as to derive the maximum benefit from traffic patterns. To that end, traffic engineers analyzed the flow of traffic expected in the center and submitted recommendations to the Penney associates who were negotiating with the shopping center developer.

Architectural and overall esthetic aspects of the center were an important consideration, both for economic reasons and because of Penney's concern for the physical environment of the areas in which it does business.

The new Penney store in the Fashion Valley Shopping Center in San Diego, shown on the cover of this annual report, illustrates this concern. The exterior of the San Diego store shows how new Penney stores are designed to contribute to and help express the unique flavor of the communities in which they are located.

Another factor influencing the attractiveness of a shopping center to customers is the selection of local stores included in the center. In Youngstown and San Diego, as in every shopping center

Hard lines of merchandise such as refrigerators are among the many attractions of full line Penney stores.


A display of dining room furniture in the Youngstown store stresses taste and comfort at reasonable prices.

Penney enters, the inclusion of local stores and the provision of advantageous locations for them are important considerations.

The original strategy study was carefully updated and reviewed before the final decision to proceed with the Youngstown store. At Penney the final decision making process takes place on three levels. First is the regional review, which is followed by the review of the Company's real estate department. If the results of both reviews are positive, the recommendation to proceed is presented to the Real Estate Committee, made up of senior Company executives. At a meeting on April 17, 1968, the Real Estate Committee approved the proposal for the Youngstown store.

The final decision of the Committee signalled the beginning of a much more complex and intensive effort, culminating in the completion and opening of the store. The first stage, which had begun with the proposal for the Southern Park center, largely involved the Company's real estate department.

The next stage of the project required close and continuing coordination among all Penney departments. In this phase, the specific store design would have to be completed—in itself, a major project. The design of a store depends to a great extent on its merchandise "mix," a major factor in the successful operation of a store

For new lines of merchandise, selection of the mix was aided by the extensive economic research Penney had undertaken during the course of making its decision to become a full line merchandiser. As new full line stores began to operate, the Company also began to profit from its experience.

In selecting the mix at Youngstown, the basic Penney full line store mix was modified or expanded to take into account local and seasonal factors. Sales estimates by lines of merchandise were made both for the first and fifth year of operation of the new Youngstown store so that it could be designed to accommodate future growth.

Once established, the merchandise mix enabled Penney store designers and merchandising managers to begin work on a specific design for achieving the desired sales productivity of each square foot of sales space throughout the store. The design also determined the number and types of display fixtures that would have to be created.

There were innovations in the design of the store. A new overhead lighting concept was introduced, and designers planned an open bay in the women's accessories area on the ground floor. This open bay utilizes merchandise display fixtures which are "free standing," making it possible to show merchandise on all sides and encourage customer traffic around the displays. Customers can move freely throughout the merchandise area without being separated from sales associates by traditional counters. This is a key feature of the newest Penney full line stores. It allows customers to inspect and select merchandise without the assistance of a sales associate, if they so desire, and it permits sales associates to move quickly through the area to serve those customers who do want help.

By early 1969 the entire design of the Youngstown store had been completed and turned over to the Penney construction services department.

The auto centers of Penney full line stores provide diagnostic services and routine maintenance, in addition to high performance automotive products, auto sound systems and recreational vehicles.

Financial planning for the 1970 expansion program, of which the Youngstown store was a part, had begun years before. An important objective of such planning is to arrange lease agreements with shopping center developers. This permits the Penney Company to put its money into merchandise for the stores rather than into ownership of the physical buildings.

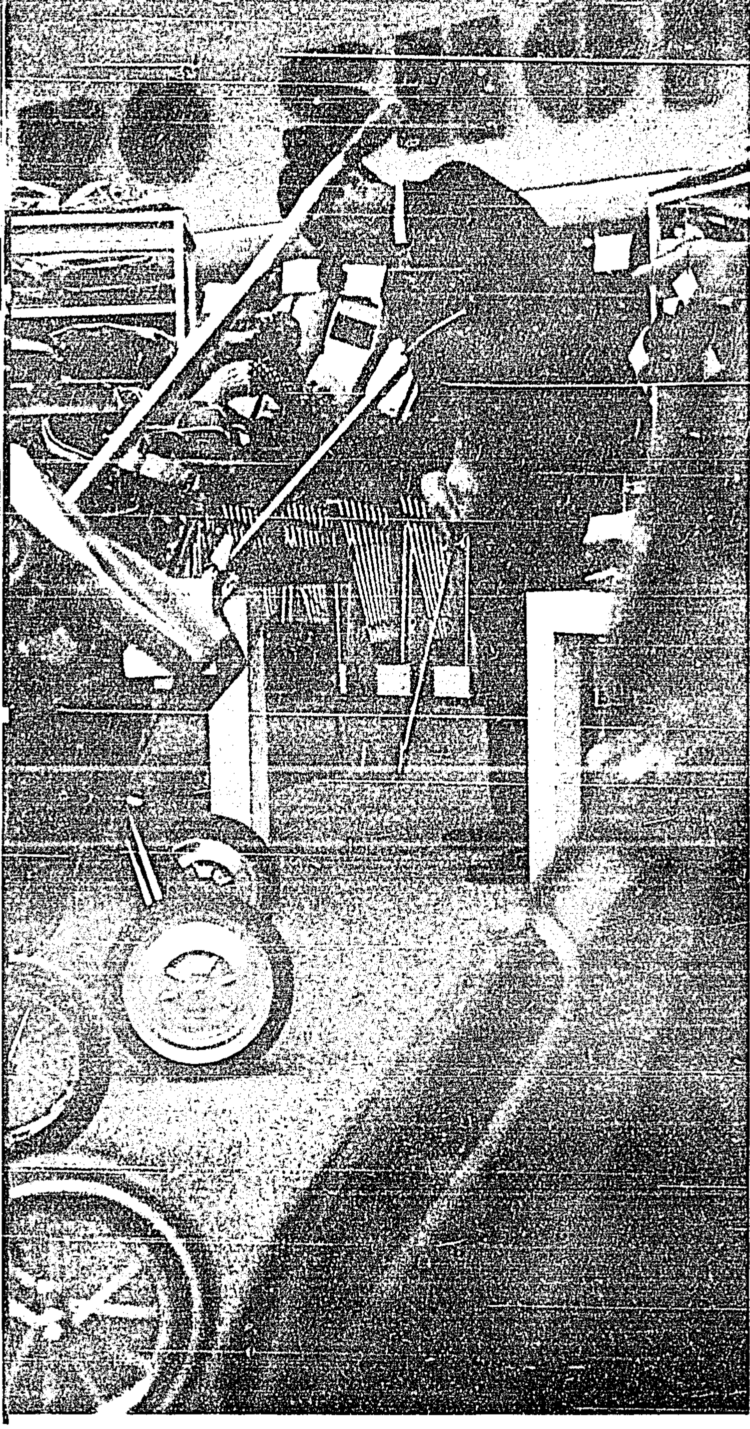
Due, however, to the tight money markets which have prevailed in recent years, shopping center developers have found it increasingly difficult to carry the entire burden of financing their centers. In a number of instances, therefore, Penney has found it necessary to finance new stores by acquiring the land and paying for construction, then selling the land and building to investors who lease the property back to Penney. Sale-leaseback financing also frees the Company's capital for use in retailing rather than real estate.

In the case of the Youngstown store, the shopping center developer arranged his own financing, and the store is leased by the developer to Penney.

On February 5, 1969, management personnel most directly concerned with the new store met to set the time of its opening. From then on, each critical step in the computerized store opening program was carefully monitored to insure that no essential work was left undone.

By early August 1969, construction was well under way, and the critical merchandise mix was being updated and changed as necessary. Since the first mix had been established, for example, women's wigs and accessories such as scarves and belts had begun to assume more fashion importance. The merchandise mix, as well as orders for fixtures to accommodate such merchandise, had to be revised accordingly. At the same time the merchandise mix was being projected ahead on a monthly basis to prepare the store for phasing into Penney's buying and distribution systems.

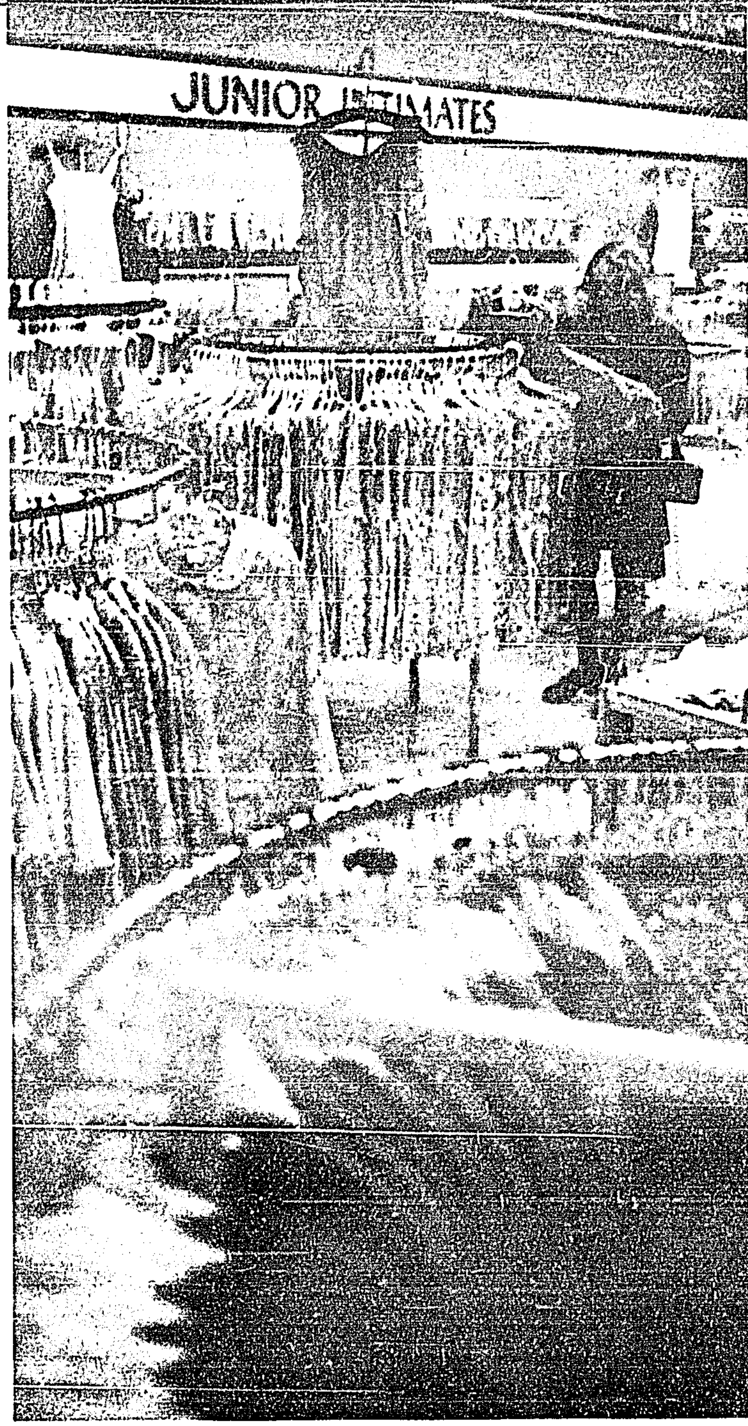
(continued)



Sports and fashion go together naturally in full line Penney stores for the customer with weekend golf in mind.

An experimental multi-faceted cosmetics display fixture allows a customer to select perfume at her leisure, or to be assisted by the sales associate in the area, if she so desires.

The Inn Shop features men's fashion apparel in a congenial atmosphere.




A colorful display of intimate apparel interests a value conscious shopper in the Youngstown store.

By October 3, or some 180 days before the originally scheduled date, the PERT "countdown schedule" called for an overall review of progress and a final "GO" or "NO GO" decision on the exact opening date. The review was the responsibility of regional administrative, merchandising and real estate executives, and their decision was not an easy one to make. Some construction activities outside the Company's direct control lagged behind schedule, threatening to delay the store's completion. Yet any delay at all in the store's opening would cost heavily in lost sales during the post-Easter spring shopping season. The executives, several of whom had experienced dozens of store openings, finally concluded that with special attention to the job at hand, they could make the opening date.

After that decision, a budget was established for pre-opening expenses such as advertising and salaries. Next, regional Penney executives, with the assistance of the personnel department, undertook what were some of the most critical decisions affecting the future success of the store—the selection of key staff members.

The manager of the old soft line store in Boardman Plaza in Youngstown had retired the year before, and had been succeeded by Gene Renner, a manager who was judged capable of taking over the reins at the new Southern Park store when it opened.

Mr. Renner had joined Penney as a sales associate in 1952. Since that time, he—like every other management associate and, in fact, every Penney associate considered promotable to management—had been evaluated at least once yearly in the Company's annual "manpower inventory." Such evaluations are based mainly on the extent to which each associate has met performance objectives he or she has helped set.

During each year's manpower inventory, executives project, five years ahead, the management level they determine each associate is capable of achieving. This information thus permits executives to move the most promising associates into a variety of positions to broaden their experience and increase their professional skills.

Mr. Renner was identified early in his career with the Company as an associate with the potential to manage a large store. He had first become a store manager in 1960, in New Haven, Connecticut, and had managed stores in Babylon, New York, and Sandusky, Ohio, before moving to Youngstown.

The staffing plans for the associates who would be needed to operate the new store had also been put into effect. About 60 associates would be transferred from the old soft line store, but more than 200 new associates had to be hired and trained. Partly because of Penney's reputation in the community, more than 1,200 persons applied for positions at the new store.

Key staff members arrived in early December for indoctrination in the store's sales and profit objectives and merchandising, promotional and advertising plans. By this time the opening itself had been completely planned in detail. Management efforts were directed toward keeping the last critical steps on target in the few months now remaining before opening.

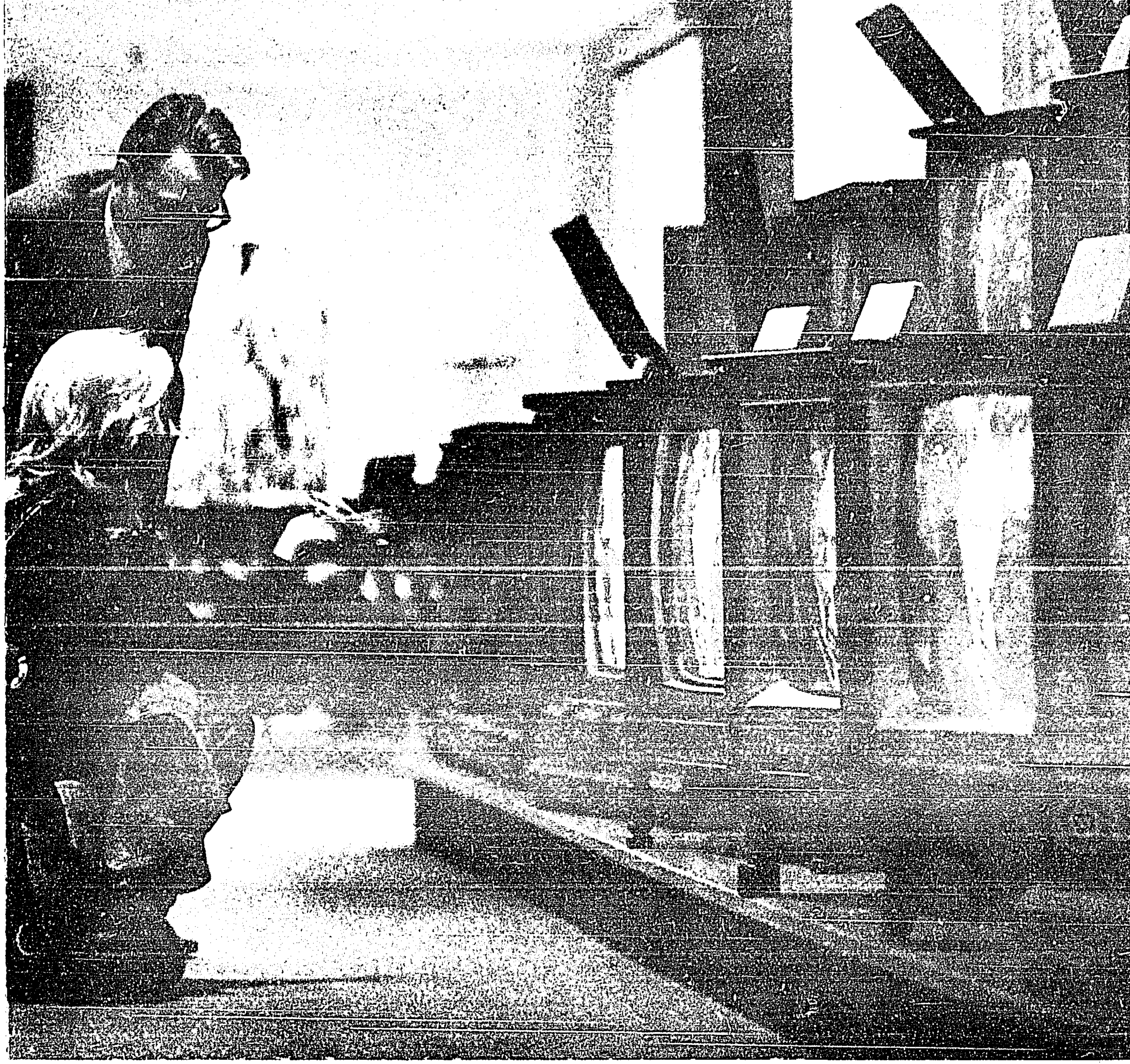
Hiring and training of new associates took place early in March, a month before opening. Many of the store's management associates already had taken part in several Penney management training programs. Sales associates in such specialized areas as automotive services, photographic equipment and appliances were trained in part through self-administered programs developed by Penney, recorded on tape and distributed to the associates. Other Penney sales associates participated in formal workshops aimed at perfecting their professional techniques.

With opening day approaching, the process of checking to insure that merchandise would arrive on time went on constantly. Because the assortment of goods is especially critical at a new store, orders from Youngstown were given top priority by the Penney buying organization in New York. At the New York office, an individual was designated as "pre-opening coordinator," with the responsibility for maintaining the schedule. Meanwhile, final revisions were made in advertising and promotion plans for the new store opening, as well as for post-opening operations.

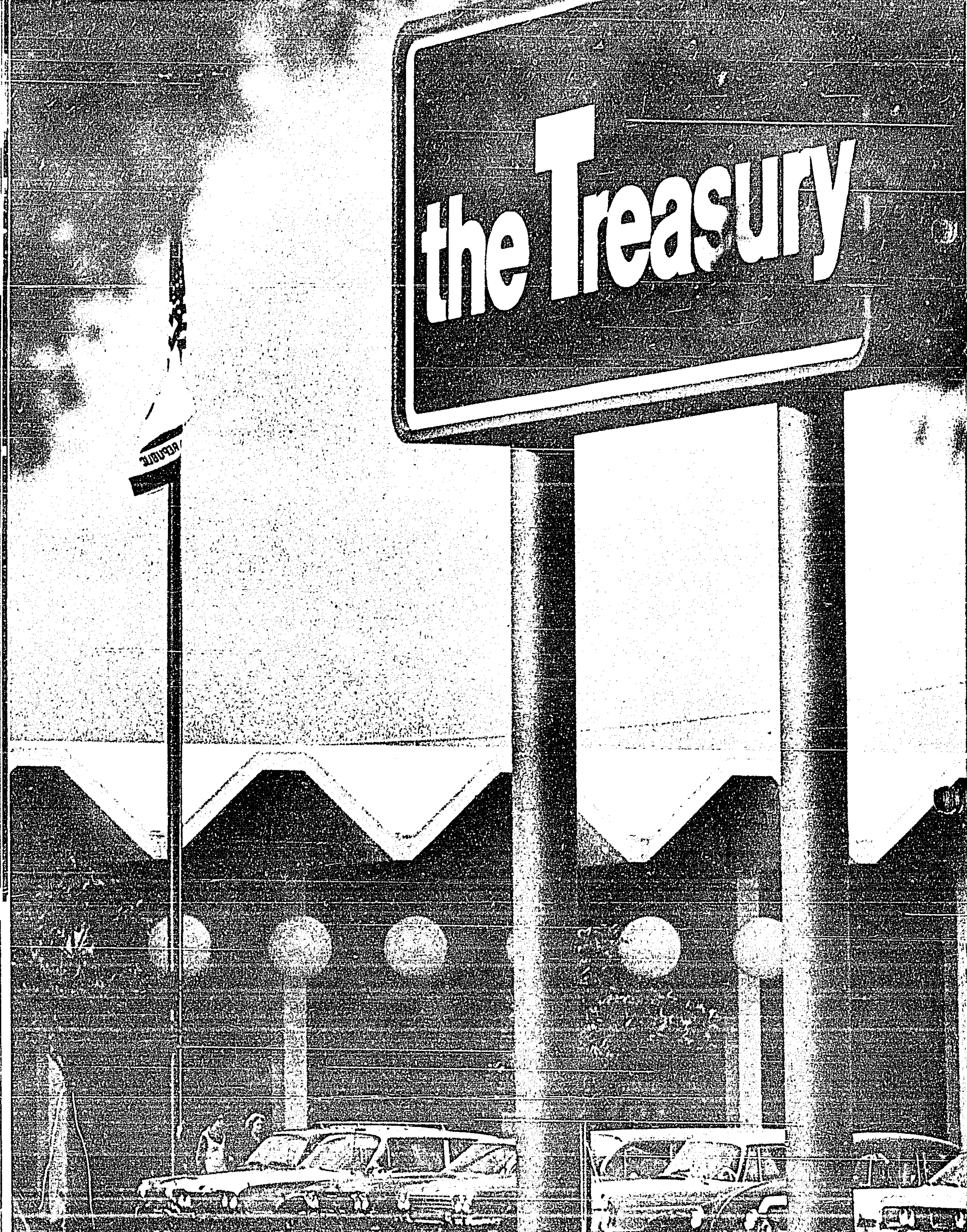
Two weeks before opening, the building began to look like a finished Penney store. Its design and decor came alive as display fixtures that had been covered with plastic were unveiled. Merchandise was put on display by the skilled display staff assigned to the store and associates brought in from other stores in the area to assist in the opening. The store was thoroughly cleaned, and final lighting corrections were made.

The schedule set 14 months before was bettered by one day. In all, the project had required the coordinated efforts of Penney associates, the shopping center developer, construction workers, suppliers and their employees. And at the time the Youngstown store and its accompanying auto center were being opened, about 30 other new full line stores were under construction; approximately 30 more had been approved by the Company's Real Estate Committee and were awaiting the start of construction, and almost 100 strategy and site studies were under way or scheduled.

The Youngstown store illustrates how Penney's current expansion program works in practice. Yet the program constantly is being changed and refined to meet future requirements. One important new concept looks toward Penney locations in more comprehensively planned complexes than today's conventional shopping centers—complexes that could include office buildings or residential housing. The Penney Company's first such complex, called "The Citadel," is already under construction in Colorado Springs. This is one avenue of exploration for the future development of the Company. There will be others. They will have in common, however, the careful development and planning that precedes the opening of current Penney Company facilities.



Thoroughly trained Penney sales associates assist customers in selecting such major appliances as television sets.


the Treasury

# 1970 Review of Operations and Financial Information

A new Treasury store in the Los Angeles area is free standing and provides convenient informal shopping with emphasis on self service.

**J. C. Penney Company, Inc.'s financial statements** present, on a consolidated basis, the results of all domestic merchandising and real estate operations. Not consolidated are J. C. Penney Financial Corporation, three insurance companies, J. C. Penney Europe, Inc. and certain smaller subsidiaries. Separate financial statements of the principal unconsolidated subsidiaries are presented below in condensed form.

The income of J.C. Penney Financial Corporation is included in the parent company statement of income as a reduction of interest expense. The combined income of all other unconsolidated subsidiaries is included as a single item in the parent company statement of income.

The acquisitions in 1970 of Great American Reserve Corporation and Supermarkets Interstate, Inc. were treated as poolings of interests. Prior period results have been restated to reflect these transactions.

**Total Company sales in 1970 exceeded $4 billion for the first time.** They totalled $4.1 billion, an increase of 8.4 per cent over the $3.8 billion in 1969. All retail divisions contributed to the sales gain as follows:

| (In millions) | 1970 (52 weeks) | 1969 (53 weeks) | Per cent increase (decrease) |
|---|---|---|---|
| Penney stores | | | |
| Full line | $1,628.1 | $1,327.0 | 22.7 |
| Soft line | 2,119.3 | 2,156.2 | (1.7) |
| Total | 3,747.4 | 3,483.2 | 7.6 |
| The Treasury stores | 146.2 | 127.5 | 14.6 |
| Thrift Drug stores | 98.0 | 83.5 | 17.4 |
| Supermarkets | 88.4 | 72.4 | 22.0 |
| Mail order | 70.9 | 61.9 | 14.6 |
| Total sales | $4,150.9 | $3,828.5 | 8.4 |

*Catalog merchandise sold through Penney stores is included in the sales of Penney stores, and Thrift Drug and Supermarkets sales through Penney and Treasury stores are included in the sales of the latter divisions. For further breakdowns of sales, see the discussion below of each division's operations.*

Reflected in 1970 results are the addition of 32 Penney full line stores, three Treasury stores and 20 Thrift Drug stores, and the closing of 31 Penney soft line stores, of which 21 were relocated and 10 discontinued. Sales of comparative stores—that is, stores in operation throughout both 1970 and 1969—increased 3.4 per cent for the Company as a whole. It is estimated that price increases contributed between 3 and 4 per cent of the sales gain in 1970.

Fiscal 1970 had 52 weeks, one less than fiscal 1969. On a comparable 52 week basis, 1970 sales were 9.8 per cent higher than in 1969. In the six years ended January 30, 1971, total Company sales have grown at a compound annual rate of 11.5 per cent.

**Net income was $114.1 million in 1970,** a decline of 0.2 per cent from the $114.3 million realized in 1969. The results of both years reflect the acquisition of Supermarkets Interstate, Inc., which added $0.9 million in 1970, compared with $1.2 million in 1969, and the acquisition of Great American Reserve Corporation, which added $2.0 million in 1970 and $2.2 million in 1969.

Income before income taxes and other unconsolidated subsidiaries was $221.1 million in 1970, which is 4.5 per cent lower than the $231.5 million in 1969.

Net income per share declined in 1970 as shown in the following table, which also lists the unaudited amounts for each quarter:

| | 1970 | 1969 | Increase (decrease) |
|---|---|---|---|
| Primary | | | |
| First Quarter | $ .27 | $ .28 | $(.01) |
| Second Quarter | .36 | .43 | (.07) |
| Third Quarter | .60 | .62 | (.02) |
| Fourth Quarter | .91 | .83 | .08 |
| Year | $2.14 | $2.16 | $(.02) |
| Fully diluted—year | $2.08 | $2.10 | $(.02) |

In determining primary net income per share, the weighted average number of common shares outstanding (including shares issued for the acquisitions of Supermarkets Interstate, Inc. and Great American Reserve Corporation) was increased for the assumed conversion of the convertible debentures of J. C. Penney Europe, Inc. The computation of fully diluted net income per share additionally assumed conversion of the Penney Company's convertible debentures and exercise of outstanding stock options.

In the six years ended January 30, 1971, primary net income per share has increased at an average compound annual rate of 8.0 per cent.

**The provision for income taxes decreased in 1970** as follows:

| (In millions) | 1970 | 1969 | Per cent increase (decrease) |
|---|---|---|---|
| Federal income taxes | | | |
| Current | | | |
| J. C. Penney Company, Inc. and consolidated subsidiaries | $ 58.0 | $ 73.3 | (20.9) |
| J. C. Penney Financial Corporation | 14.5 | 12.9 | 12.4 |
| Deferred | 30.0 | 25.0 | 20.0 |
| | 102.5 | 111.2 | (7.8) |
| State and local income taxes | | | |
| Current | 6.8 | 8.1 | (16.0) |
| Deferred | 1.0 | 1.6 | (37.5) |
| | 7.8 | 9.7 | (19.6) |
| Total income taxes | $110.3 | $120.9 | (8.8) |
| *Per cent of income before income taxes and other unconsolidated subsidiaries* | 49.9% | 52.2% | |

The Federal surcharge amounted to $2 million in 1970, down from $10 million in 1969. The investment credit declined to $1.5 million from $3 million in 1969. In calculating income taxes payable, Penney defers gross profit on the balance due from installment sales and deducts greater amounts for depreciation than are reported in the financial statements. Accordingly, the provision for income taxes includes tax effects from such deferrals as shown above.

Taxes other than income taxes totalled $59.9 million in 1970, up from $52.6 million in 1969.

**The quarterly dividend remained unchanged** at 25 cents per share for a 1970 total of $1 per share. Dividends declared amounted to $52.9 million in 1970, compared with $52.6 million in 1969.

**32 new full line Penney stores were opened in 1970,** each with an automotive center. The following tabulation details the changes in Penney stores and net selling space:

| | 1970 | | 1969 | |
|---|---|---|---|---|
| | Number of units | Net selling space (000 sq. ft.) | Number of units | Net selling space (000 sq. ft.) |
| Full line | | | | |
| Opened in new markets | 11 | 1,253 | 10 | 1,016 |
| Relocated | 21 | 1,725 | 22 | 1,769 |
| Net change | 32 | 2,978 | 32 | 2,785 |
| Soft line | | | | |
| Closed due to relocation | (21) | (277) | (23) | (449) |
| Closed permanently | (10) | (61) | (15) | (157) |
| Net change | (31) | (338) | (38) | (606) |
| Total net change | 1 | 2,640 | (6) | 2,179 |

New Penney stores opened in 1970 range in size from 29,000 to 148,000 square feet of net selling space, with an average of 93,000 square feet. The ratio of net selling space to gross store space averages 60 per cent. The 32 automotive centers added in 1970 average 13 service bays per unit, and all but two centers sell gasoline.

As of year end, there were in operation 1,407 soft line and 240 full line Penney stores with 223 automotive centers. In full line stores typically about two thirds of net selling space is devoted to apparel and other "soft goods"; the balance is used for major appliances, furniture and other "hard goods". Sales per square foot of net selling space in 1970 averaged $84 for full line stores and $117 for soft line stores.

Sales of comparative stores in 1970—that is, stores in operation throughout both 1970 and 1969—increased 7.2 per cent for full line and 0.5 per cent for soft line stores. Credit sales amounted to 37.5 per cent of total sales through Penney stores, down from 38.1 per cent in 1969.

The Company continued to do business on Sunday afternoons in areas where major competitors have started this practice. During most of 1970, about 152 stores were open on Sunday afternoons, with a maximum of 316 during the Christmas season.

For Penney stores, gross profit as a per cent of sales was slightly higher in 1970 than in 1969, with increased markup and reduced shrinkage more than offsetting higher freight costs. Markdowns as a per cent of sales were unchanged from 1969. Profit margins declined due to higher operating expenses, principally salaries. Soft line stores as a group maintained a higher average profit margin than full line stores. However, many of the more mature full line stores have achieved profit margins higher than the average for soft line stores.

**Three new The Treasury stores opened in the Los Angeles area** late in October 1970. Each new store has 122,000 square feet of net selling space, about two thirds of the total building space, and includes a food supermarket with 20,000 square feet of net selling space, as well as an automotive center. The addition of these stores brought to 13 the number of Treasury stores in operation at year end, with combined net selling space of 1.5 million square feet. Sales of the 10 comparative stores increased 5.1 per cent in 1970, and sales per square foot of net selling space of comparative stores increased to $114 in 1970. Because the three new stores were open for little more

than three months, sales per square foot of net selling space for all Treasury stores combined declined to $94 in 1970 from $108 in 1969. About 70 percent of total sales was general merchandise; the other 30 per cent came from food supermarkets. Credit sales in 1970 accounted for 19.2 per cent of general merchandise sales, up from 15.8 per cent in 1969.

Profit from The Treasury operations in 1970 was lower than in 1969, reflecting expenses incurred in connection with the three new Los Angeles units and reduced profit margins in comparative stores.

**Thrift Drug added 20 new stores in 1970,** with combined net selling space of 123,000 square feet. Two stores were closed, and at year end there were 189 Thrift Drug stores in operation, with 1.0 million square feet of net selling space. In addition, Thrift Drug operated drug, health and beauty aid departments in 12 Treasury and five Penney stores.

The following table shows a breakdown of Thrift Drug volume:

| (In millions) | 1970 | 1969 | Per cent increase |
|---|---|---|---|
| Thrift Drug stores | $ 98.0 | $ 83.5 | 17.4 |
| Departments in The Treasury and Penney stores | 9.4 | 7.4 | 27.3 |
| Total | $107.4 | $ 90.9 | 18.2 |
| Number of prescriptions filled | 7.8 | 6.8 | 14.7 |

Over half of Thrift Drug's sales volume in 1970 consisted of ethical and proprietary drugs.

Sales of comparative stores and departments increased 11.2 per cent in 1970. As of September 1, 1970, use of the Penney charge card was extended to all units of Thrift Drug. For the year 1970, credit sales accounted for 3.7 per cent of Thrift Drug's volume, up from 3.5 per cent in 1969.

Thrift Drug's profit declined in 1970 from 1969 due to the accelerating pace of expansion and intensive price competition, which reduced gross profit in the face of rising operating costs.

**The acquisition of Supermarkets Interstate, Inc. was completed in December 1970** in exchange for 470,011 shares of Penney common stock. Supermarkets Interstate, Inc. operates 37 leased food supermarkets in department and discount stores. As of year end 1970, it operated all 14 of Penney's food departments—12 in The Treasury stores and two in Penney stores. The combined net selling space of all 37 departments is 534,000 square feet, with individual units ranging in size from 5,000 to 21,000 square feet.

The acquisition of Supermarkets Interstate, Inc. had no material effect on consolidated net income per share in 1970 or 1969. Supermarkets Interstate, Inc.'s operating results were as follows:

| (In millions) | 1970 | 1969 | Per cent increase (decrease) |
|---|---|---|---|
| Sales in departments of The Treasury and Penney stores | $ 50.1 | $ 39.9 | 25.6 |
| Other stores | 88.4 | 72.4 | 22.0 |
| Total | $138.5 | $112.3 | 23.3 |
| Income before income taxes | $ 1.5 | $ 2.3 | (35.6) |
| Income taxes | .6 | 1.1 | (45.0) |
| Net income | $ .9 | $ 1.2 | (27.0) |

Sales per square foot of net selling space averaged $260 in 1970, down from $274 in 1969. Sales in comparative units increased 6.6 per cent over 1969. Net income declined in 1970 primarily because of costs related to the opening of five new units.

**The number of Catalog sales centers increased by 75 in 1970,** raising the total number to 1,019. Almost all of these sales centers are in Penney stores. Catalog merchandise sales were as follows:

| (In millions) | 1970 | 1969 | Per cent increase |
|---|---|---|---|
| Penney stores | $174.0 | $136.3 | 27.2 |
| Mail order | 70.9 | 61.9 | 14.6 |
| Total | $244.9 | $198.7 | 23.3 |

Credit sales accounted for 44.9 per cent of Catalog volume in 1970, compared with 45.0 per cent in 1969. The addition of the Atlanta distribution center in the summer of 1969 caused an increase in the loss of the Catalog operation, which carried over into 1970. As a result, the loss for the first half of 1970 was substantially higher than for the same period in 1969. As rising sales resulted in fuller utilization of the Atlanta facilities, the rate of loss was reduced. For the entire year, the Catalog loss was slightly smaller than in 1969.

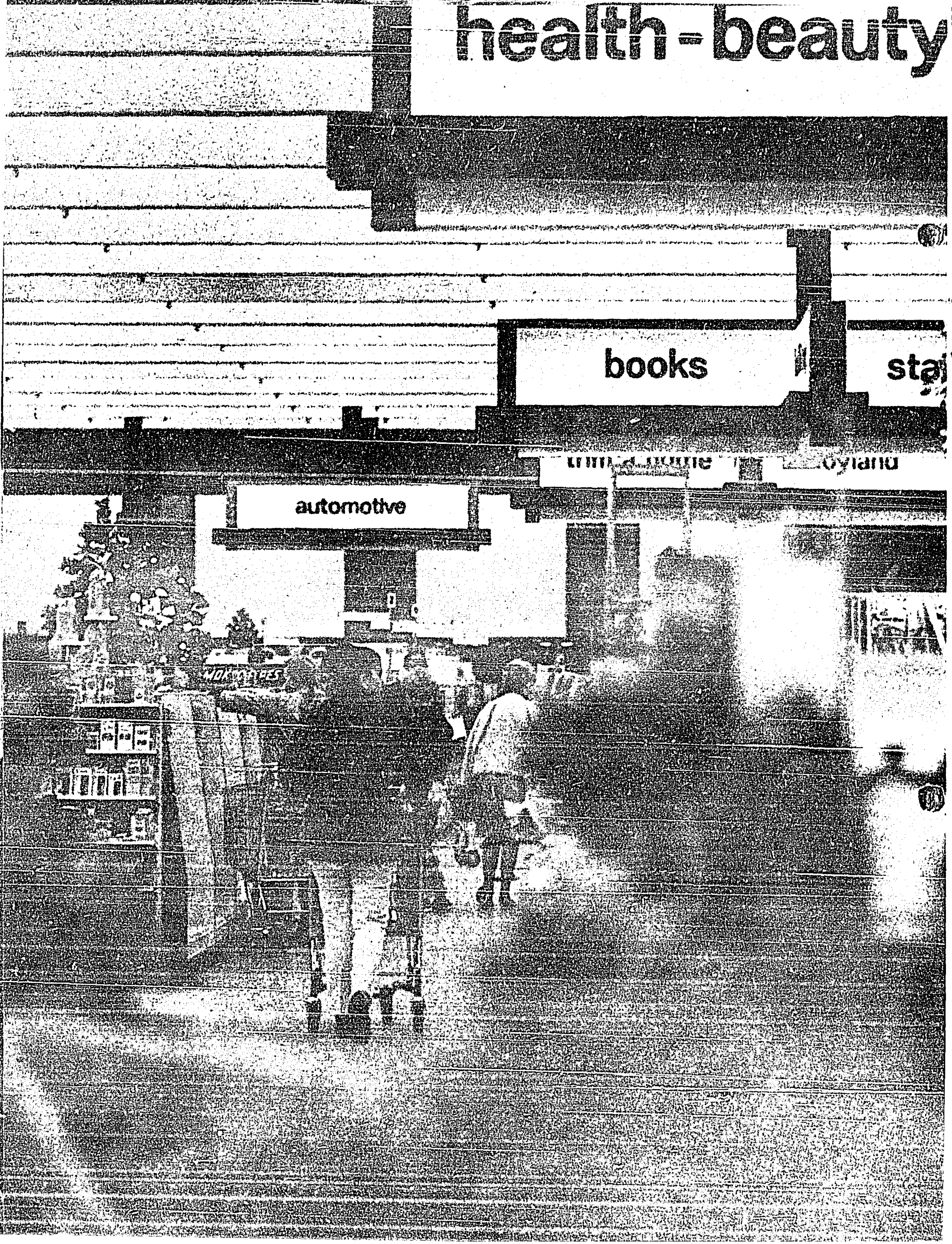
**Consumer financial services expanded further in 1970 with the acquisition of Great American Reserve Corporation.** This acquisition became effective in December 1970 on the basis of .51 of a share of Penney common stock for each share of Great American common. A total of 880,666 shares of Penney common were issued for this purpose.

Great American Reserve Corporation's principal operating subsidiary—Great American Reserve Insurance Company—is in the life and health insurance business. Other subsidiaries include Citizens National Bank of Dallas (commercial banking), Home Mortgage & Investment Co. (mortgage banking), Douglas Plaza Corporation (real estate), and Home Agency, Inc. (general insurance agency).

Net income after income taxes of Great American Reserve Corporation amounted to $2.0 million in 1970 and $2.2 million in 1969. The acquisition had no material effect on consolidated net income per share in 1970 or 1969.

Great American Reserve Insurance Company is licensed in 38 states and has over $1.2 billion of life insurance in force. About 60 per cent of premiums come from sales of life insurance. Net income of this subsidiary in 1970 was $1.8 million, compared with $2.1 million in 1969. The decline was primarily due to losses on investments realized in 1970 following gains realized in 1969.

J. C. Penney Insurance Company and J. C. Penney Life Insurance Company continued to offer accident, health and life insurance by mail to Penney charge account customers throughout the United States. At the end of their third full year of operation these companies had 232,000 accident and health policy holders and $208 million of life insurance in force. Net income in 1970 of the J. C. Penney insurance companies increased to $2.3 million from $1.0 million in 1969.


health - beauty
books
automotive

Combined summary financial statements of the three insurance companies, in accordance with generally accepted accounting principles, are as follows:

**Income statement**

| (In millions) | 1970 | 1969 |
|---|---|---|
| Premiums written | | |
| Life | $16.2 | $13.5 |
| Accident and health | 20.4 | 16.7 |
| Total | $36.6 | $30.2 |
| Underwriting income | $ 1.7 | $ 1.7 |
| Investment income | 3.6 | 3.1 |
| Income before income taxes | 5.3 | 4.8 |
| Income taxes | 1.2 | 1.7 |
| Net income | $ 4.1 | $ 3.1 |

**Balance sheet**

| (In millions) | December 31 1970 | December 31 1969 |
|---|---|---|
| Assets | | |
| Bonds, at amortized cost | $29.4 | $23.7 |
| Stocks, at cost | 6.2 | 4.9 |
| Loans | 32.5 | 29.9 |
| Real estate, net | 5.9 | 5.7 |
| Other assets | 24.7 | 22.6 |
| | $98.7 | $86.8 |
| Liabilities | | |
| Policy and claims reserves | $62.0 | $53.8 |
| Income taxes | 5.3 | 5.5 |
| Other liabilities | 2.9 | 2.5 |
| Equity of J. C. Penney Company, Inc. | 28.5 | 25.0 |
| | $98.7 | $86.8 |

**Changes in working funds**

| (In millions) | 1970 | 1969 |
|---|---|---|
| Working funds were generated from: | | |
| Net income | $ 4.1 | $ 3.1 |
| Deferred income taxes | (.2) | 1.0 |
| Increase in policy and claims reserves | 8.2 | 5.8 |
| Provided from operations | 12.1 | 9.9 |
| Capital contribution from J. C. Penney Company, Inc. | — | 1.1 |
| Gain from sale of stock of affiliates, net of income taxes | — | .2 |
| Total funds generated | 12.1 | 11.2 |
| Working funds were used for: | | |
| Dividends | .5 | .7 |
| Bonds | 5.7 | 5.4 |
| Stocks | 1.3 | 1.3 |
| Loans | 2.6 | .4 |
| Real estate | .2 | 1.7 |
| Total funds used | 10.3 | 9.5 |
| Increase in working funds | $ 1.8 | $ 1.7 |

The Treasury stores provide
a wide range of merchandise,
and include food supermarkets.

**International operations continued to grow.** In Belgium, Sarma, S.A. increased sales to $203.8 million, up 6.7 per cent from $191.0 million in 1969. About two thirds of sales were generated by Sarma's own retail units, the other third by sales to franchised stores. More than 50 per cent of volume was food; the remainder was mainly general merchandise. Operations in 1970 resulted in a net loss of $0.7 million, compared with net income of $0.6 million in 1969. The costs associated with an expansion program of large new stores and rising salary scales continued to affect operating results adversely. At year end there were 92 stores in operation, with combined net selling space of 1.2 million square feet, plus 248 franchised stores. One new store was opened in 1970, three stores were remodelled and four smaller stores were closed.

In Italy, J. C. Penney S.p.A. had its first store under construction in 1970 with operations to begin in March 1971. Pre-operating expenses of the Italian subsidiary are being deferred.

Penney's international operations are conducted through a wholly owned subsidiary, J. C. Penney Europe, Inc. This subsidiary was formed in 1969, and its operations had no significant financial impact in that year. J. C. Penney Europe, Inc. has financed its investments in Sarma, S.A. and J. C. Penney S.p.A. primarily by means of two Eurodollar debenture offerings: $12.8 million of 5 per cent convertible subordinated guaranteed debentures due 1989, which after August 6, 1972, are convertible into Penney common stock at $59.40 per share or redeemable at Penney Europe's option; and $25 million of 6 per cent convertible subordinated guaranteed debentures due 1989, convertible at any time into Penney common stock at $54.50 per share and redeemable commencing December 1, 1972.

Following are summary consolidated financial statements of J. C. Penney Europe, Inc.:

**Income statement**

| (In millions) | 1970 |
|---|---|
| Sales | $203.8 |
| Costs and expenses | 205.0 |
| Income (loss) before income taxes | (1.2) |
| Income taxes | (.2) |
| Net income (loss) | $ (1.0) |

**Balance sheet**

| (In millions) | January 30 1971 | January 31 1970 |
|---|---|---|
| Assets | | |
| Cash and marketable securities | $11.8 | $21.9 |
| Receivables | 10.0 | 8.6 |
| Due from J. C. Penney Company, Inc. | 5.1 | — |
| Inventories | 23.6 | 17.2 |
| Current assets | 50.5 | 47.7 |
| Properties, net | 39.5 | 32.9 |
| Other | 9.2 | 8.0 |
| | $99.2 | $88.6 |
| Liabilities | | |
| Current liabilities | $43.5 | $36.0 |
| Long term debt | 46.3 | 42.1 |
| Minority interest in Sarma, S.A. | .5 | .5 |
| Equity of J. C. Penney Company, Inc. | 8.9 | 10.0 |
| | $99.2 | $88.6 |

**Changes in working funds**

| (In millions) | 1970 |
|---|---|
| Working funds were generated from: | |
| Depreciation and amortization | $ 2.3 |
| Increase in long term debt | 4.2 |
| Total funds generated | 6.5 |
| Working funds were used for: | |
| Net loss | 1.0 |
| Capital expenditures | 9.0 |
| Change in other assets | 1.2 |
| Total funds used | 11.2 |
| Increase (decrease) in working funds | $ (4.7) |

The 1969 balance sheet of J. C. Penney Europe, Inc. has been restated to reflect the allocation to its assets of a portion of the purchase price of Sarma, S.A.

**Net income of other unconsolidated subsidiaries declined to $3.3 million in 1970** from $3.7 million in 1969. Included in these totals are the income of Great American Reserve Insurance Company (96.8 per cent owned) and the following wholly owned subsidiaries: J. C. Penney Insurance Company, J. C. Penney Life Insurance Company, J. C. Penney Europe, Inc., Citizens National Bank of Dallas, Home Mortgage & Investment Co., Douglas Plaza Corporation and Home Agency, Inc.

**Credit sales in 1970 rose to a record $1.5 billion,** up 6.5 per cent from $1.4 billion in 1969, but the proportion of credit sales to total sales declined to 35.7 per cent in 1970 from 36.3 per cent in 1969. Regular charge account sales continued to generate about 85 percent of total credit sales; time payments the balance. Detailed below are key statistics regarding credit operations:

| | January 30 1971 | January 31 1970 |
|---|---|---|
| Average balance per regular account | $101.68 | $ 94.35 |
| Average balance per time payment account | $214.13 | $206.83 |
| Net bad debt losses as per cent of total credit sales for year | 1.3% | 1.0% |

The cost of administering the retail credit program continued to exceed service charges on customer receivables as follows:

| (In millions) | 1970 | 1969 | Percent increase (decrease) |
|---|---|---|---|
| Costs | | | |
| Regional office operations | $ 45.5 | $ 41.7 | 9.0 |
| Interest | 49.8 | 44.0 | 13.2 |
| Provision for doubtful accounts | 21.3 | 15.9 | 34.0 |
| Total | 116.6 | 101.6 | 14.7 |
| Less service charge income | 96.1 | 78.9 | 21.8 |
| Net cost of credit | $ 20.5 | $ 22.7 | (10.0) |
| Net cost as per cent of credit sales | 1.4% | 1.6% | |

The above results do not reflect either "in store" costs related to credit operations or any allocation of corporate overhead expenses.

Interest costs are stated at the average cost of borrowings to J. C. Penney Financial Corporation (7.1 per cent in 1970; 7.5 per cent in 1969) applied to the average balance of customer receivables outstanding ($700.0 million in 1970; $589.4 million in 1969). The provision for doubtful accounts includes bad debts ($19.5 million in 1970; $13.7 million in 1969) plus the accrual required to maintain the allowance for doubtful accounts at two per cent of customer receivables outstanding. The allowance was reduced from three per cent to two per cent in 1969 retroactive to the beginning of the year.

Class actions seeking substantial recoveries have been instituted against retailers, in some cases including the Company, in Wisconsin and certain other states, before and since a Wisconsin decision which required the Company to reduce its monthly service charges. Counsel for the Company has advised that if existing legal principles are applied in those other states, the Company's rates should be upheld. The ultimate consequences of all the pending actions are not presently determinable but will not in the opinion of the Company's management have a material adverse effect on its financial position or net income.

**In 1970 J. C. Penney Financial Corporation purchased $1.6 billion of customer receivables from Penney,** up from $1.5 billion in 1969.

Substantially all of Penney's customer receivables are sold, without recourse, to its wholly owned subsidiary, J. C. Penney Financial Corporation. Financial withholds, as a reserve, an amount equal to five per cent of the receivables so acquired. In addition, it charges a discount which is calculated to produce earnings that cover fixed charges, chiefly interest on borrowings, at least one and one-half times.

To finance its purchase of the receivables, this subsidiary sells its short term notes (commercial paper) at prime market rates directly to investors and, from time to time, issues long term debt. The average balance outstanding of commercial paper in 1970, net of short term investments, was $646.4 million, compared with $475.1 million in 1969. Interest rates for commercial paper peaked in the first half and declined sharply in the second half of 1970. Total interest paid on commercial paper and long term debt, net of investment income, averaged 7.1 per cent in 1970 and 7.5 per cent in 1969.

Following is a comparative summary balance sheet for J. C. Penney Financial Corporation:

| (In millions) | January 30 1971 | January 31 1970 |
|---|---|---|
| Assets | | |
| Customer receivables purchased from J. C. Penney Company, Inc., less 5% withheld pending collection | $758.2 | $674.8 |
| Due from J. C. Penney Company, Inc. | 32.6 | 107.2 |
| Cash and short term investments | 10.7 | 2.5 |
| Other assets | 2.2 | 1.8 |
| | $803.7 | $786.3 |
| Liabilities | | |
| Notes payable | $563.5 | $559.6 |
| Accrued liabilities | 4.7 | 6.3 |
| Long term debt | 100.0 | 100.0 |
| Equity of J. C. Penney Company, Inc. | 135.5 | 120.4 |
| | $803.7 | $786.3 |

Penney also has specialized stores such as Thrift Drug which fills millions of prescriptions annually and also provides health and beauty aids and other lines of convenience merchandise.


Thank You!

Financial's obligations are not guaranteed by Penney. At year end 1970 there were confirmed lines of credit totalling $568 million with 499 banks available to either Penney or Financial, of which $7 million was in use by Penney.

The complete financial statements of J. C. Penney Financial Corporation are contained in its 1970 annual report, which is available on request.

**Interest expense was $63.4 million in 1970,** compared with $50.4 million in 1969. The following table details the principal components of interest expense:

| (In millions) | 1970 | 1969 |
|---|---|---|
| Discount on customer receivables sold to J. C. Penney Financial Corporation | $66.3 | $58.1 |
| Interest on advances from J. C. Penney Financial Corporation | 16.4 | 9.3 |
| Other interest, net | 12.1 | 7.4 |
| | 94.8 | 74.8 |
| Less: | | |
| Income of J. C. Penney Financial Corporation before income taxes | 29.6 | 24.4 |
| Capitalized interest on construction in progress and land held for future use | 1.8 | — |
| | 31.4 | 24.4 |
| Total interest expense | $63.4 | $50.4 |

**Receivables** increased in 1970 as follows:

| (In millions) | January 30 1971 | January 31 1970 |
|---|---|---|
| Customer receivables | $ 5.6 | $ 4 5 |
| Due from J. C. Penney Financial Corporation (5% withholding against receivables sold) | 39.9 | 35.5 |
| Other receivables | 44.0 | 39.7 |
| | 89.5 | 79.7 |
| Less allowance for doubtful accounts | 16.1 | 14.3 |
| Receivables, net | $73.4 | $65.4 |

**Merchandise inventories rose to $765.9 million at year end,** an increase of 9.4 per cent over the $700.1 million at year end 1969. These amounts are reported at the lower of cost or market and are determined primarily by the retail method. The increase in inventories resulted from higher volume as well as initial stocking of 32 new Penney stores and three new The Treasury stores.

**Working funds during 1970 increased by $85.2 million,** compared with a decrease of $26.0 million in 1969. The increase in 1970 was attributable primarily to the sale of $150 million of 8⅞ per cent sinking fund debentures due 1995. Working funds consist of current assets less current liabilities, excluding deferred tax effects applicable to installment sales. The statement of changes in working funds appears on page 28.

**Properties** at year end were as follows:

| (In millions) | January 30 1971 | January 31 1970 |
|---|---|---|
| Land | $ 16.6 | $ 10.6 |
| Buildings | 127.0 | 78.0 |
| Fixtures and equipment | 427.1 | 375.6 |
| Leasehold improvements | 36.0 | 31.0 |
| Construction in progress and land held for future use | 132.0 | 74.9 |
| | 738.7 | 570.1 |
| Less accumulated depreciation and amortization | 219.0 | 196.3 |
| Properties, net | $519.7 | $373.8 |

In connection with its expansion program Penney is now purchasing, holding and developing sites for many of its facilities. Accordingly, the Company is capitalizing interest charges incurred in the development of these facilities.

In 1970, Penney sold three new store properties at its cost of $15.9 million and leased them back.

**Capital expenditures in 1970 totalled a record $203.6 million,** compared with $142 9 million in 1969. Included in this amount were expenditures of $13.8 million to modernize and renovate older stores. The following tabulation compares 1970 and 1969 capital expenditures:

| (In millions) | 1970 | 1969 |
|---|---|---|
| Land | $ 6.2 | $ 2.9 |
| Buildings | 49.4 | 22.7 |
| Fixtures and equipment | 63.8 | 61.0 |
| Leasehold improvements | 6.8 | 6.1 |
| Construction in progress and land held for future use | 77 4 | 50.2 |
| Total capital expenditures | $203.6 | $142.9 |

Capital expenditures by landlords to modernize or expand existing facilities totalled $63 million in 1970, compared with $71.5 million in 1969. Penney added 5.8 million gross square feet of store space in 1970, of which nearly 80 per cent was leased (including 553,000 square feet sold and leased back) and the rest owned. After store closings totalling 0.6 million gross square feet, net additions to store space amounted to 5.2 million gross square feet or 3.1 million square feet of net selling space. A detailed listing of 1970 store openings appears on page 29.

**Investment in unconsolidated subsidiaries was $178.4 million at year end 1970,** compared with $160.2 million at year end 1969. The following tabulation shows a breakdown of the investment, stated at Penney's original cost plus equity in net income since formation or acquisition:

| (In millions) | January 30 1971 | January 31 1970 |
|---|---|---|
| J. C. Penney Financial Corporation | $135.5 | $120.4 |
| Great American Reserve Insurance Company | 17.4 | 16.1 |
| Other Great American Reserve companies | 5.2 | 4.5 |
| J. C. Penney insurance companies | 11.4 | 9.2 |
| J. C. Penney Europe, Inc. | 8.9 | 10.0 |
| Total | $178.4 | $160.2 |

**Rent expense, including rent based on sales, increased to $117.1 million in 1970** from $106.3 million in 1969. Minimum annual rentals at January 30, 1970 amounted to $67.5 million.

The Company conducts most of its operations from leased properties. Substantially all leases will expire during the next 30 years. In the normal course of business, however, leases are renewed or replaced by leases on other properties.

Penney's commitments under long term leases were approximately $325 million at year end 1970. Long term leases are those which have a noncancellable original term of more than three years. These commitments are stated at the present value of all future minimum payments under such leases, after excluding property taxes as well as maintenance, insurance and other amounts which do not constitute payments for property rights.

**Penney's long term debt increased in 1970** with the addition of a major debenture issue as detailed below.

| (In millions) | January 30 1971 | January 31 1970 |
|---|---|---|
| 4¼ per cent convertible subordinated debentures due 1993 | $125.0 | $125.0 |
| 8⅞ per cent sinking fund debentures due 1995 | 150.0 | — |
| Other | 3.2 | 4.5 |
| Total | $278.2 | $129.5 |

The 4¼ per cent convertible subordinated debentures due 1993 are convertible into Penney common stock at $50 per share. An annual 5 per cent sinking fund starts in 1979, but the debentures are redeemable by Penney at any time.

The 8⅞ per cent sinking fund debentures are not redeemable prior to July 15, 1980 by debt refunding at an annual interest cost lower than 8.93 per cent. An annual sinking fund of 6.25 per cent starts in 1980. The indentures for both issues contain provisions that restrict payments of cash dividends and the purchase of capital stock for cash. As of January 30, 1971, approximately $174 million of reinvested earnings was free of such restrictions.

Penney also has guaranteed the $37.8 million of debentures issued by Penney Europe which are described under "International operations continued to grow" on page 21.

To provide for conversion of the 4¼ per cent debentures and the debentures of Penney Europe, 3,174,221 shares of Penney common stock have been reserved.

**Stockholders' equity rose to $753.3 million at year end 1970** from $680.6 million at year end 1969.

The return on stockholders' equity declined to 16 8 per cent in 1970 from 18.7 per cent in 1969.

The following table shows the changes that occurred in the number of shares outstanding and in the common stock account:

| | Shares 1970 | Shares 1969 | Amount (millions) 1970 | Amount (millions) 1969 |
|---|---|---|---|---|
| Balance at beginning of year as previously reported | 51,684,213 | 51,616,502 | $49.2 | $47.0 |
| Issued in connection with acquisitions of: | | | | |
| Great American Reserve Corporation | 880,666 | 880,666 | 10.2 | 10.2 |
| Supermarkets Interstate, Inc. | 470,011 | 470,011 | 1.7 | 1.7 |
| Balance at beginning of year as restated | 53,034,890 | 52,967,179 | 61.1 | 58.9 |
| Stock options exercised | 82,959 | 67,711 | 2.5 | 2.2 |
| Issued to retirement plan | 147,348 | — | 9.0 | — |
| Balance at year end | 53,265,197 | 53,034,890 | $72.6 | $61.1 |

A change in the retirement plan, approved by the Board of Directors in 1970, permits the Company to make its annual contribution to the profit sharing fund of the retirement plan either in Penney common stock or cash. The Company has elected to make its entire 1970 contribution of approximately $12.8 million in shares of stock.

A new stock bonus plan for management associates covering 300,000 additional shares of common stock will be submitted to the stockholders for approval at the 1971 annual meeting.

The number of stockholders increased to 65,965 at 1970 year end from 64,435 at 1969 year end. At 1970 year end there were also 44,000 associates owning beneficially 3,251,761 shares of Penney common stock through the retirement plan.

On September 22, 1970, depositary receipts evidencing Penney stock were listed for trading on the Brussels and Antwerp Stock Exchanges.

**There were 145,000 associates on the payroll** of Penney and its consolidated subsidiaries as of January 30, 1971, an increase of 12.4 per cent over the prior year. Employment peaked at 177,000 in December. The low for the year was 139,000.

**Retirement plan.** Penney Company full time associates become eligible to participate in the Company's retirement plan after 30 months of service. The plan consists of a contributory pension fund plus a deferred profit sharing fund.

Penney's contribution under the plan is based on income and amounted to $18.9 million in 1970, down from $19.4 million in 1969. Accrued pension benefits have been fully funded.

The companies acquired in recent years, Thrift Drug Company of Pennsylvania, Sarma, S.A., Supermarkets Interstate, Inc. and Great American Reserve Corporation, had separate retirement plans which continue in force. Contributions under these plans amounted to $603,000 in 1970, up from $494,000 in 1969.

**Stock options.** At January 30, 1971, there were 399,857 shares of Penney common stock reserved for qualified stock option plans, as follows:

| | 1970 Shares | 1970 Option price range | 1969 Shares | 1969 Option price range |
|---|---|---|---|---|
| Balance at beginning of year | 457,032 | $22.59-53.25 | 475,005 | $22.59-34.00 |
| Granted | 33,019 | 24.02-49.25 | 53,800 | 53.25 |
| Exercised | (82,959) | 22.59-34.00 | (67,711) | 22.59-34.00 |
| Expired | (7,235) | 28.81-53.25 | (4,062) | 22.59-34.00 |
| Balance at year end | 399,857 | $22.59-53.25 | 457,032 | $22.59-53.25 |

Options for 248,018 shares were exercisable at the end of 1970.

A stock option for 560 shares granted in connection with an acquisition in 1962 is exercisable at $19.51 per share on or before May 16, 1971.

# Statement of Income
# Statement of Reinvested Earnings



| Statement of Income | 52 weeks ended January 30, 1971 | 53 weeks ended January 31, 1970 |
|---|---|---|
| **Sales** | $4,150,885,821 | $3,828,549,615 |
| **Costs and expenses** | | |
| Cost of goods sold, occupancy, buying and warehousing costs | 2,935,430,123 | 2,731,443,077 |
| Selling, general and administrative expenses | 930,934,564 | 815,207,290 |
| Interest, after deduction of income of J. C. Penney Financial Corporation before income taxes | 63,372,529 | 50,407,879 |
| **Total costs and expenses** | 3,929,737,216 | 3,597,058,246 |
| **Income before income taxes and other unconsolidated subsidiaries** | 221,148,605 | 231,491,369 |
| Income taxes | 110,325,000 | 120,862,951 |
| **Income before other unconsolidated subsidiaries** | 110,823,605 | 110,628,418 |
| **Net income of other unconsolidated subsidiaries** | 3,272,464 | 3,671,867 |
| **Net income** | $ 114,096,069 | $ 114,300,285 |
| **Per share of common stock** | | |
| Primary | $2.14 | $2.16 |
| Fully diluted | 2.08 | 2.10 |

| Statement of Reinvested Earnings | | |
|---|---|---|
| Reinvested earnings—beginning of year | | |
| J. C. Penney Company, Inc., as previously reported | $ 607,212,851 | $ 548,298,205 |
| Great American Reserve Corporation | 7,939,455 | 6,324,148 |
| Supermarkets Interstate, Inc. | 4,314,676 | 3,099,536 |
| Restated | 619,466,982 | 557,721,889 |
| Net income for the year | 114,096,069 | 114,300,285 |
| Dividends | (52,864,776) | (52,555,192) |
| Reinvested earnings—end of year | $ 680,698,275 | $ 619,466,982 |

See 1970 Review of Operations and Financial Information on pages 17 to 25.

# Balance Sheet

J. C. Penney Company, Inc.
and Consolidated Subsidiaries

## Assets

| | January 30, 1971 | January 31, 1970 |
|---|---|---|
| **Current assets** | | |
| Cash | $ 53,964,279 | $ 66,195,485 |
| Receivables, net | 73,398,628 | 65,391,502 |
| Merchandise inventories | 765,854,474 | 700,138,718 |
| Prepaid expenses | 30,815,567 | 26,849,308 |
| **Total current assets** | 924,032,948 | 858,575,013 |
| **Investment in unconsolidated subsidiaries** | 178,358,700 | 160,233,139 |
| **Properties, net** | 519,678,191 | 373,829,278 |
| **Other assets** | 4,984,873 | 1,872,510 |
| | $1,627,054,712 | $1,394,509,940 |

## Liabilities

| | | |
|---|---|---|
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 356,071,886 | $ 328,207,937 |
| Due to unconsolidated subsidiaries | 37,478,426 | 106,566,557 |
| Dividend payable | 13,282,457 | 12,921,100 |
| Income taxes | 35,866,630 | 14,825,082 |
| Deferred credits, principally tax effects applicable to installment sales | 131,000,000 | 106,500,000 |
| **Total current liabilities** | 573,699,399 | 569,020,676 |
| **Long term debt** | 278,200,000 | 129,486,267 |
| **Deferred credits,** principally tax effects applicable to depreciation | 21,899,055 | 15,452,833 |
| **Stockholders' equity** | | |
| Preferred stock without par value: Authorized, 5,000,000 shares—issued, none | | |
| Common stock, par value 50¢: Authorized, 75,000,000 shares—issued, 53,265,197 | 72,557,983 | 61,083,182 |
| Reinvested earnings | 680,698,275 | 619,466,982 |
| **Total stockholders' equity** | 753,256,258 | 680,550,164 |
| | $1,627,054,712 | $1,394,509,940 |

See 1970 Review of Operations and Financial Information on pages 17 to 25.

# Statement of Changes in Working Funds

| (In millions) | 52 weeks ended January 30, 1971 | 53 weeks ended January 31, 1970 |
|---|---|---|
| **Working funds were generated from:** | | |
| Net income | $114.1 | $114.3 |
| Depreciation | 36.0 | 33.5 |
| Deferred credits, principally tax effects | 31.0 | 26 6 |
| **Provided from operations** | 181.1 | 174.4 |
| Disposal of properties, principally by sale and leaseback | 21.7 | 27.9 |
| Sale of debentures | 150.0 | — |
| Change in other assets | (4.4) | 13.4 |
| Stock options exercised | 2.5 | 2.2 |
| Stock issued to retirement plan | 9.0 | — |
| **Provided from external sources** | 178 8 | 43.5 |
| **Total funds generated** | 359.9 | 217.9 |
| **Working funds were used for:** | | |
| Dividends | 52 9 | 52.6 |
| Capital expenditures | 203.6 | 142.9 |
| Investment in subsidiaries | 18.2 | 48 4 |
| **Total funds used** | 274.7 | 243.9 |
| **Increase (decrease) in working funds** | $ 85.2 | $ (26.0) |

See 1970 Review of Operations and Financial Information on pages 17 to 25.

# Accountants' Report

To the Stockholders and the Board of Directors of J. C. Penney Company, Inc.

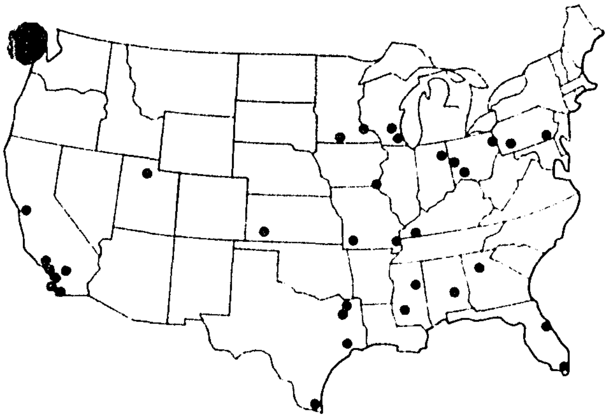
We have examined the balance sheet of J. C. Penney Company, Inc. and consolidated subsidiaries as of January 30, 1971 and the related statements of income, reinvested earnings and changes in working funds for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements together with the 1970 Review of Operations and Financial Information on pages 17 to 25 present fairly the financial position of J. C. Penney Company, Inc. and consolidated subsidiaries at January 30, 1971 and the results of their operations and changes in working funds for the 52 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statistical data on pages 29 to 31 present fairly the information shown therein.

345 Park Avenue
New York, N.Y.
March 22, 1971

Peat, Marwick, Mitchell & Co.

# Store Space Opened in Fiscal 1970



| Date opened | City, state, shopping center | Gross square feet of store space |
|---|---|---|
| Penney stores | | |
| Feb. 11 | Centerville, Ohio (Dayton Mall) | 236,772 |
| April 2 | *Youngstown, Ohio (Southern Park) | 255,204 |
| April 2 | Jackson, Mississippi (Jackson Mall) | 192,494 |
| April 8 | *Carlsbad, California (Plaza Camino Real) | 163,091 |
| April 15 | *Fairmont, Minnesota (Fair Mall) | 67,395 |
| April 16 | *Montgomery, Alabama (Capital City Mall) | 178,175 |
| April 29 | Orange, California (The City) | 218,746 |
| June 25 | †*Winona, Minnesota | 112,046 |
| July 9 | Merritt Island, Florida (Merritt Island) | 196,794 |
| July 15 | Hilo, Hawaii (Hilo Mall) | 83,269 |
| July 15 | Salt Lake City, Utah (Valley Fair) | 141,284 |
| July 22 | *Dodge City, Kansas (Dodge City Center) | 79,019 |
| July 23 | *Springfield, Missouri (Battle Field Mall) | 173,669 |
| July 30 | *Lancaster, Pennsylvania (Park City) | 238,987 |
| July 30 | *Harlingen, Texas (Sunvalley) | 72,186 |
| Aug. 5 | *Arlington, Texas (Six Flags) | 159,700 |
| Aug 12 | *Oxford, Alabama (Quintard Mall) | 119,306 |
| Sept 16 | *Keokuk, Iowa (Keosippi Mall) | 73,893 |
| Sept 30 | *Sikeston, Missouri (Kingsway Plaza) | 75,147 |
| Oct 1 | †*Celina, Ohio | 92,358 |
| Oct. 7 | Oakland, California (Eastmont) | 205,468 |
| Oct. 14 | *Decatur, Georgia (South Dekalb)* | 185,453 |
| Oct 29 | *Hopkinsville, Kentucky (Hopkinsville Mall) | 75,963 |
| Nov. 12 | *Sherman, Texas (Sher-Din Mall) | 120,345 |
| Nov. 18 | San Diego, California (Fashion Valley) | 248,198 |
| Nov. 18 | *Riverside, California (Tyler Mall) | 174,530 |
| Jan. 6 | Greendale, Wisconsin (South Ridge) | 197,583 |
| Jan. 14 | *Greensburg, Pennsylvania (Greengate) | 199,193 |
| Jan. 14 | *Houston, Texas (Meyerland Plaza) | 228,171 |
| Jan. 20 | *Madison, Wisconsin (West Town) | 206,653 |
| Jan. 21 | *Fort Wayne, Indiana (South Town) | 185,283 |
| Jan. 28 | Miami, Florida (Dadeland) | 186,144 |
| The Treasury stores | | |
| Oct. 29 | †Orange, California | 181,935 |
| Oct. 29 | †Torrance, California | 181,935 |
| Oct. 29 | †Buena Park, California | 181,935 |
| Thrift Drug stores (20 stores opened) | | 151,675 |
| Gross store space opened in fiscal 1970 | | 5,839,999 |
| Less stores closed | | 628,226 |
| Increased gross square feet | | 5,211,773 |
| Increased square feet of net selling space | | 3,137,889 |

*Relocation of existing store.
†Includes food supermarket.

| | 1970 | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 |
|---|---|---|---|---|---|---|---|
| **Results for year** (In millions) | | | | | | | |
| Sales | $4,150.9 | $3,828.5 | $3,379.2 | $2,927.0 | $2,702.8 | $2,407.9 | $2,155.1 |
| Per cent increase over prior year | 8.4 | 13.3 | 15.5 | 8.3 | 12.2 | 11.7 | 14.1 |
| Credit sales as per cent of total sales | 35.7 | 36.3 | 35.5 | 35.4 | 33.2 | 31.4 | 29.2 |
| Income before income taxes and other unconsolidated subsidiaries | 221.1 | 231.5 | 237.3 | 177.5 | 156.5 | 152.1 | 133 2 |
| Per cent of sales | 5.3 | 6.0 | 7.0 | 6.1 | 5.8 | 6.3 | 6.2 |
| Net income | 114.1 | 114.3 | 111.5 | 94.3 | 82.4 | 80.7 | 69.2 |
| Per cent increase (decrease) over prior year | (0 2) | 2.5 | 18 3 | 14.4 | 2 1 | 16.6 | 23.8 |
| Per cent of sales | 2.7 | 3.0 | 3.3 | 3.2 | 3.0 | 3.4 | 3.2 |
| Per cent of stockholders' equity | 16.8 | 18.7 | 20.6 | 19 2 | 18.3 | 19.5 | 20 6 |
| Dividends | 52.9 | 52.6 | 46.3 | 45.8 | 43.8 | 43.5 | 37.8 |
| Increase in reinvested earnings | 61.2 | 61.8 | 65.2 | 48 5 | 38.6 | 37.4 | 36.9 |
| Depreciation | 36.0 | 33.5 | 28.8 | 27.0 | 24.0 | 20.1 | 17.3 |
| Capital expenditures | 203.6 | 142.9 | 127.7 | 111.0 | 71.4 | 46.4 | 40.5 |
| **Per share results** | | | | | | | |
| Net income—primary | 2.14 | 2.16 | 2 12 | 1.78 | 1.57 | 1.56 | 1.35 |
| —fully diluted | 2.08 | 2.10 | 2.08 | 1.78 | 1.57 | 1.56 | 1.35 |
| Dividends | 1.00 | 1.00 | .90 | .90 | .86 | .86 | .75 |
| Stockholders' equity | 14.14 | 12.84 | 11.56 | 10.28 | 9.32 | 8.58 | 7.87 |
| **Financial position at year end** (In millions) | | | | | | | |
| Assets | 1,627.1 | 1,394.5 | 1,207.3 | 953.9 | 847.0 | 744.8 | 667.4 |
| Working funds* | 481.3 | 396.1 | 422.1 | 277.0 | 297.3 | 295.7 | 273.0 |
| Customer receivables—net | | | | | | | |
| J. C. Penney Financial Corporation | 758.2 | 674.8 | 532.5 | 483.2 | 439.9 | 298.7 | 188.0 |
| J. C. Penney Company, Inc. | 29.4 | 25.7 | 56.7 | 13.8 | 12.7 | 63.0 | 101.1 |
| Merchandise inventories | 765.9 | 700.1 | 616.5 | 487.0 | 491.0 | 396.8 | 319.7 |
| Long term debt | 278.2 | 129.5 | 125.0 | — | — | — | — |
| Stockholders' equity | 753.3 | 680.6 | 611.0 | 540.7 | 490.0 | 451.3 | 413.8 |
| **Stockholders and employees** | | | | | | | |
| Number of stockholders at year end | 65,965 | 64,435 | 59,224 | 55,656 | 55,621 | 55,206 | 53,488 |
| Average number of shares outstanding (millions) | 53.1 | 53.0 | 52.8 | 52.6 | 52.6 | 52.6 | 52.6 |
| Number of employees** | 145,000 | 129,000 | 119,000 | 104,000 | 102,000 | 88,000 | 78,000 |

*Working funds consist of current assets less current liabilities, excluding deferred tax effects applicable to installment sales

**Includes all employees on the payroll of J. C. Penney Company, Inc and consolidated subsidiaries as of the end of the fiscal year This is a change from the definition used in previous annual reports.

# Operations Summary 1964-1970



| | 1970 | 1969 | 1968 | 1967 | 1966 | 1965 | 1964 |
|---|---|---|---|---|---|---|---|
| **Penney stores—full line** | | | | | | | |
| Number of stores | 240 | 208 | 176 | 141 | 108 | 82 | 52 |
| Net selling space (million square feet) | 19.4 | 16.5 | 13.7 | 10.4 | 7.4 | 5.4 | 3.5 |
| Sales (millions) | $1,628.1 | 1,327.0 | 1,002.0 | 661.2 | 477.7 | 296.5 | 174 0 |
| Sales per square foot | $ 83.77 | 80.64 | 73.19 | 63.39 | 64.16 | 55.31 | 49.81 |
| **Penney stores—soft line** | | | | | | | |
| Number of stores | 1,407 | 1,438 | 1,476 | 1,517 | 1,548 | 1,582 | 1,619 |
| Net selling space (million square feet) | 18.1 | 18.4 | 19.0 | 19.4 | 19.5 | 19.6 | 19.6 |
| Sales (millions) | $2,119.3 | 2,156.1 | 2,105.7 | 2,050.7 | 2,042.4 | 1,964.6 | 1,875.9 |
| Sales per square foot | $ 116.99 | 116.85 | 110.68 | 105.74 | 104.50 | 100.35 | 95.79 |
| **Catalog** | | | | | | | |
| Number of sales centers | 1,019 | 944 | 660 | 637 | 565 | 458 | 405 |
| Number of distribution centers | 2 | 2 | 1 | 1 | 1 | 1 | 1 |
| Distribution space (million square feet) | 4.1 | 4.1 | 2.0 | 2.0 | 2.0 | 1.3 | 1.3 |
| **The Treasury stores** | | | | | | | |
| Number of stores | 13 | 10 | 10 | 6 | 5 | 5 | 5 |
| Net selling space (million square feet) | 1.5 | 1.2 | 1.2 | .7 | .5 | .5 | .5 |
| Sales (millions) | $ 146.2 | 127.5 | 85.3 | 54.1 | 48.9 | 42.7 | 17.5 |
| Sales per square foot | $ 94.49 | 107.96 | 72.24 | 80.64 | 92.27 | 80.54 | 33.05 |
| **Thrift Drug stores** | | | | | | | |
| Number of stores | 189 | 171 | 157 | 148 | 138 | 131 | 123 |
| Net selling space (million square feet) | 1.0 | .9 | .8 | .7 | .7 | .6 | .6 |
| Sales (millions) | $ 98.0 | 83.5 | 71.9 | 62.8 | 55.2 | 46.0 | 40.0 |
| Sales per square foot | $ 99.62 | 97.99 | 89.86 | 84.20 | 78.49 | 72.60 | 68.89 |

## Penney Stores with Food

A program to test the feasibility of a new kind of Penney store—a free standing, "one stop" shopping complex for smaller markets—was initiated in 1970. The store pictured here is located in Winona, Minnesota. In it, a young customer can select a bicycle for her birthday while accompanying her mother to the food supermarket.

In addition to shopping for food products, a customer is able to have her hair done, select a fashionable tie for the man in the family and choose perfume for herself—all in the one store.

"Order Call" is Penney's latest step in expanding store services through displays of merchandise offered through the Catalog but not carried in the store. After deciding on a purchase a customer simply telephones her order to the catalog sales center located in the store.

Self selection of fashionable merchandise for all members of the family is a key attraction of the Penney store with food. Wide aisles and shopping carts enhance the convenience of the store.

Check out counters also contribute to the convenience of shopping in a Penney store with food. Several more such stores are in operation.

## Directors

J. C. Penney*
Company Founder

Kenneth S. Axelson
Vice President

William K. Barry
Vice President

William M. Batten
Chairman of the Board

William M. Ellinghaus
President,
New York Telephone Company

Oakley S. Evans
Vice President

Jack B. Jackson*
Vice President

Ray H. Jordan
Retired,
formerly President,
J. C Penney Company, Inc.

Walter J. Neppl
Vice President

Donald V. Seibert
Vice President

Charles T. Stewart
Vice President

George S. Stewart
Vice President

Cecil L. Wright
President

Walter B. Wriston
Chairman,
First National City Bank and
First National City Corporation

*Mr. Penney died on February 12, 1971. Jack B. Jackson, Vice President and Director of Regional Operations, has been elected a director to fill the vacancy created by the death of Mr. Penney.

## Officers

William M. Batten
Chairman of the Board

Cecil L. Wright
President

Robert L. Adair
Vice President and Controller

Kenneth S. Axelson
Vice President and Director of Finance and Administration

William K. Barry
Vice President and General Merchandise Manager of Soft Lines

Jack F. Behrendt
Vice President and
Director of The Treasury Stores

Woodrow P. Campbell
Vice President and
Director of Special Stores and Services

Andrew Cumming
Vice President and
Director of Personnel

Oakley S. Evans
Vice President and
Director of Corporate Development

Robert B. Gill
Vice President and General Merchandise Manager of Hard Lines

Wallis G. Hocker
Vice President and
General Credit Manager

Oscar J. Hunter
Vice President and
Eastern Regional Manager

Jack B. Jackson
Vice President and
Director of Regional Operations

Arthur Jacobsen
Vice President and Director of Consumer Financial Services

Lee S. Moore
Vice President and Sales Manager

Walter J. Neppl
Vice President and
Director of Merchandising

Stanley J Putman
Vice President and
Mountain Regional Manager

Foster E. Sears
Vice President and
Director of Real Estate

Donald V. Seibert
Vice President and Director of Catalog and The Treasury Stores

Charles T. Stewart
Vice President, General Counsel and Director of Public Affairs

George S. Stewart
Vice President and
Director of Corporate Facilities and Services

George M. Stone
Vice President and Director of
Government and Public Relations

Marvin L. Tanner
Vice President and
Southern Regional Manager

Robert R. Van Kleek
Vice President and
Western Regional Manager

Harold L. Wright
Vice President and
Central Regional Manager

Paul R. Kaltinick
Treasurer

Albert W Driver, Jr.
Secretary

John B Hebard
Assistant Treasurer

Archibald E. King, Jr.
Assistant Secretary

J. David Silvers
Assistant Secretary

Elting H Smith
Assistant Secretary

John F. Wood
Assistant Controller

## Transfer Agents

Chemical Bank
20 Pine Street
New York, New York 10015

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60603

## Registrars

The Chase Manhattan Bank, N A
1 Chase Manhattan Plaza
New York, New York 10015

Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60690

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Please address any comments or questions you may have concerning this annual report or the Company's operations in general to.

J. C. Penney Company, Inc.
Stockholder Relations Department
1301 Avenue of the Americas
New York, New York 10019



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